

Message Text

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46

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EURE-00 AID-05 CEA-01 CIAE-00

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AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY PARIS

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY ANKARA

AMEMBASSY ATHENS

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AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY REYKJAVIK

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ECON, OECD, UK

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SUBJECT: US PROPOSAL FOR GROWTH STUDY IN EPC'S WORKING

PARTY 2, APRIL 21-22

REF: STATE 86468

SUMMARY UK DELEGATION LEADER TO WP-2, IAN BYATT, REACTED CAUTIOUSLY TO EMBASSY PRESENTATION REGARDING U.S. PROPOSED GROWTH STUDY IN WP-2. BYATT CAUTIOUS ON GROUNDS OF TIMING, AND ON GROUNDS TECHNICAL FEASIBILITY OF U.S. PROJECT. HE ALSO CONCERNED ABOUT POLICY IMPLICATIONS FOR U.K. BYATT WILL CONSIDER U.S. PROPOSAL OVER THE WEEKEND AND MAY WANT TO CONSULT WITH CHIEF U.S. DELEGATE TO CLARIFY U.S. PROPOSED METHODOLOGY DURING WP-2 MEETING. END SUMMARY.

1. BYATT, WHO IS CHIEF ECONOMIST IN PUBLIC SECTOR DIVISION OF TREASURY, MAINLY CONCERNED WITH PUBLIC EXPENDITURE ADMITS HAVING PERSONAL AND PROFESSIONAL INTEREST IN ONGOING WP-2 WORK ON PUBLIC EXPENDITURE GROWTH. HE IS SYMPATHETIC TO IDEA OF GROWTH STUDY BUT IS CONCERNED THAT SUCH A PROJECT, AS PROPOSED BY U.S., WOULD DRAIN ALL SECRETARIAT RESOURCES AWAY FROM PUBLIC EXPENDITURE WORK AND ON TO GROWTH PROJECT IF U.S. SCENARIO ON TIMING WERE TO BE FOLLOWED. HE INDICATED HE WOULD BE HAPPIER WITH A PROJECT WHICH WOULD NOT REQUIRE FULL ATTENTION OF SECRETARIAT AND WOULD THEREFORE NOT AIM FOR PARTIAL COMPLETION IN ONE YEAR.

2. BYATT ALSO CONCERNED ABOUT TECHNICAL ASPECTS OF U.S. PROPOSAL. HE STATES THAT IN U.K. SECTORAL ANALYSIS HAS NEVER BEEN SUCCESSFUL AS U.K. STUDIES HAVE NEVER DISCOVERED PRODUCTION FUNCTIONS THAT WERE WORKABLE OR APPLICABLE ON SECTORAL BASIS. U.K. HAS ALWAYS STUDIED GROWTH BY PROJECTING PRODUCTIVITY AND ADDING ON GROWTH OF LABOR FORCE. THIS OBVIOUSLY GIVES TREND AND ENABLES PROJECTIONS AT SOME FUTURE DATE BUT DOES NOT GIVE GROWTH PATH. IN OTHER WORDS, U.K. HAS ALWAYS TAKEN PATH OF ESTIMATING LONG-TERM PRODUCTIVE POTENTIAL.

3. IN CONNECTION WITH TECHNICAL FEASIBILITY OF U.S. PROPOSAL BYATT ALSO CONCERNED ABOUT POLICY IMPLICATIONS FOR LIMITED OFFICIAL USE

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U.K. IMMEDIATE U.K. ECONOMIC STRATEGY SET OUT IN BUDGET PRESENTED APRIL 15 AND PUBLIC EXPENDITURE WHITE PAPER PUBLISHED IN JANUARY. BYATT BELIEVES THAT A STUDY WHICH GETS INTO DISAGGREGATED SECTORAL ANALYSIS OF OECD EUROPEAN COUNTRIES MUST PERFORCE GET INTO QUESTIONS OF ECONOMIC STRATEGY OF THESE COUNTRIES INCLUDING QUESTIONS ABOUT GROWTH OF WORLD TRADE AND STRUCTURAL CHANGES IN SUCH TRADE. TO GET INTO SUCH QUESTIONS GETS INTO PROBLEMS OF

ECONOMIC POLICY ON HIGH LEVEL IN ALL COUNTRIES WHICH
BYATT UNCERTAIN THAT WP-2 EQUIPPED TO HANDLE.

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